

# **CORRECTED FISCAL NOTE**

## **HB 484 - SB 1045**

March 12, 2007

**SUMMARY OF BILL:** Expands the annual sales tax holiday to include the first weekends of November, February, and May, Friday through Sunday. Removes the one-time sales tax holiday scheduled to occur April 27, 2007 through April 29, 2007.

### **ESTIMATED FISCAL IMPACT:**

On March 6, 2007, we issued a fiscal note for this bill reflecting an *increase to state expenditures exceeding \$9,600,000* and a *decrease to state revenues exceeding \$34,700,000*. Based on new information, the fiscal impact of this bill is estimated as follows:

#### **(CORRECTED)**

**Increase State Expenditures – \$9,600,000**

**Decrease State Revenues – \$34,700,000**

#### Assumptions:

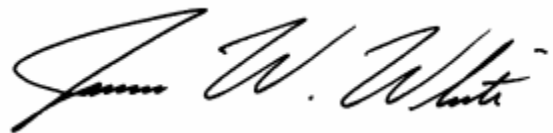
- Items exempt under this bill are the same as items exempt during the first sales tax holiday (August 2006).
- Monthly sales tax revenue collections reflect business activity occurring the previous month.
- According to Finance and Administration, the first annual sales tax holiday in August 2006 reduced collections an estimated \$14.8 million (\$11.1 million from state sales tax and \$3.7 million from local option sales tax).
- Local governments will be held harmless for sales tax holidays.
- Cumulative state and local sales tax collections for September 2006 were approximately \$707.5 million (\$553.6 million for state; \$153.9 million for locals).
- Cumulative state and local sales tax collections for September 2006 would have been approximately \$722.3 million (\$564.7 million for state; \$157.6 million for locals) if the sales tax revenue lost as a result of the first sales tax holiday had been collected.

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- Sales tax collections for September 2006 were reduced approximately 2.05% as a result of the first sales tax holiday ( $\$14.8 \text{ million} \div \$722.3 \text{ million} = 2.05\%$ ).
- Monthly sales tax collections are reduced by 2.05% for the months of December, March, and June as a result of the additional sales tax holidays proposed for the months of November, February, and May.
- 4.5% annual growth of taxable sales.
- State sales tax collections for December 2007, March 2008, and June 2008 are currently estimated to be \$561.5 million, \$527.0 million, and \$604.8 million respectively (or \$1,693.3 million cumulative).
- Local option sales tax collections for December 2007, March 2008, and June 2008 are currently estimated to be \$161.5 million, \$143.1 million, and \$165.2 million respectively (or \$469.8 million cumulative).
- The decrease to state revenues is estimated to be \$34,700,000 per year ( $\$1,693.3 \text{ million} \times 2.05\% = \$34,712,650$ ).
- The increase to state expenditures, for holding local governments harmless from the loss of local option sales tax revenue, is estimated to be \$9,600,000 per year ( $\$469.8 \text{ million} \times 2.05\% \text{ reduction} = \$9,630,900$ ).

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director